

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Greenwood Cemetery	County Emmet
Fiscal Year End 12/31/06	Opinion Date 01/18/07	Date Audit Report Submitted to State 03/10/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

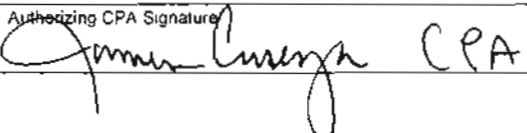
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**YES** ☒ **NO** ☐ Check each applicable box below. (See instructions for further detail.)

- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
- ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
- ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
- ☒ ☐ The local unit has adopted a budget for all required funds.
- ☒ ☐ A public hearing on the budget was held in accordance with State statute.
- ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
- ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
- ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
- ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
- ☒ ☐ The local unit is free of repeated comments from previous years.
- ☒ ☐ The audit opinion is UNQUALIFIED.
- ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
- ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
- ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

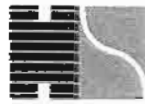
<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	N/A	
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Hill, Schroderus & Co., LLP		Telephone Number 231-347-4136	
Street Address 923 Spring Street		City Petoskey	State MI
Authorizing CPA Signature 		Printed Name James Cusenza	License Number 1101012888

**FINANCIAL REPORT  
GREENWOOD CEMETERY  
December 31, 2006**

**GREENWOOD CEMETERY  
FINANCIAL REPORT  
December 31, 2006**

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**Hill • Schroderus & Co., LLP**

Certified Public Accountants & Consultants

January 18, 2007

Independent Auditors' Report

Cemetery Board and Superintendent  
Greenwood Cemetery  
Petoskey, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Greenwood Cemetery (the Cemetery), Petoskey, Michigan, as of and for the year ended December 31, 2006, which collectively comprise the Cemetery's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Cemetery's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Greenwood Cemetery, as of December 31, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the management's discussion and analysis. However, we did not audit this information and express no opinion on it. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Hill Schroderus & Co.*

CERTIFIED PUBLIC ACCOUNTANTS  
Petoskey, Michigan



# GREENWOOD CEMETERY

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## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2006

### BASIC FINANCIAL STATEMENTS – OVERVIEW

Greenwood Cemetery's (the Cemetery) basic financial statements include both government-wide (reporting the Cemetery as a whole) and fund financial statements (reporting the Cemetery's major funds). The government-wide statements include the Statement of Net Assets and the Statement of Activities. The fund financial statements include the Governmental Fund Balance Sheet and the Statement of Governmental Funds Revenues, Expenditures, and Changes in Fund Balances.

### BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements report information on all of the nonfiduciary activities of the Cemetery. As a general rule the effect of interfund activity, such as interfund loans, has been eliminated from these statements. The government-wide focus is more on operational efficiency, the sustainability of the Cemetery as an entity and the change in the Cemetery's net assets resulting from the current year's activities.

In the government-wide Statement of Net Assets, the governmental activities are presented on a consolidated basis. Due to the full accrual, economic resource basis, all long-term assets and receivables, as well as long-term debt and obligations are recognized. The Cemetery's net assets are reported in three parts – invested in capital assets; restricted net assets; and unrestricted net assets.

Below is the government-wide Statement of Net Assets for Greenwood Cemetery as of December 31, 2006 and 2005:

**Greenwood Cemetery**  
**Statement of Net Assets**  
**For Years Ended December 31, 2006 and 2005**

<u>Assets</u>	<u>2006</u>	<u>2005</u>
Cash	\$ 154,426	\$ 155,597
Investments	505,839	476,754
Accounts receivable	18,900	100
Taxes receivable	492,885	421,205
Capital assets, net	1,829,740	1,763,088
 Total assets	 <u>3,001,790</u>	 <u>2,816,744</u>
 <u>Liabilities</u>		
Deferred property taxes	517,153	485,685
Deferred charges	40,781	37,136
 Total liabilities	 <u>557,934</u>	 <u>522,821</u>
 <u>Net Assets</u>		
Invested in capital assets	1,829,740	1,763,088
Restricted for perpetual care	506,904	455,210
Unrestricted	107,212	75,625
 Total net assets	 <u><u>\$ 2,443,856</u></u>	 <u><u>\$ 2,293,923</u></u>

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of the Cemetery are offset by program revenues. This statement reduces gross expenses (including depreciation) by related program revenues, which include charges for services, operating grants and capital grants.

The program revenues must be directly associated with providing cemetery-type services. Program revenues include: (1) charges to customers who purchase, use, or directly benefit from goods or services provided by the Cemetery and (2) grants and contributions that are restricted to meeting the operational or capital requirements of the Cemetery. Taxes and other items not properly included among program revenues are reported as general revenue.

Below is the Statement of Activities for Greenwood Cemetery for the years ended December 31, 2006 and 2005:

**Greenwood Cemetery**  
**Statement of Activities**  
**For the Years Ended December 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
Revenues:		
Program revenues	\$ 124,633	\$ 103,318
Property taxes	478,223	457,489
Interest	32,515	22,543
Other	<u>27,630</u>	<u>5,683</u>
Total revenues	<u>663,001</u>	<u>589,033</u>
Expenses:		
Operating	425,687	402,645
Non-operating	<u>87,381</u>	<u>98,909</u>
Total expenses	<u>513,068</u>	<u>501,554</u>
Change in net assets	149,933	87,479
Net assets - beginning	<u>2,293,923</u>	<u>2,206,444</u>
Net assets - ending	<u><u>\$ 2,443,856</u></u>	<u><u>\$ 2,293,923</u></u>

Net assets increased in the current year by \$149,933 or 6%. Approximately 26% of the operating expenses for the General Fund were capitalized. Most of these capitalized assets will be depreciated on the Statement of Activities over their estimated useful lives. The non-depreciable assets, such as land, will remain on the Statement of Net Assets at full cost.

As a consequence of additional lot sales and interments, program revenues increased. Property tax revenues increased 4.5% the millage rate of 0.47 remained the same as in 2005. The increase in interest and other revenues occurred due to better interest earnings in the Perpetual Care Fund and from \$20,000 in gate valve easement revenue from Michigan Consolidated Gas Company.

Operating expenses increased over the prior year for a combination of reasons. Wages were up \$12,000, employee benefits up \$5,000, contracted services up \$15,000 largely due to string trimming services and insurance up \$7,000 while maintenance and repairs was down \$14,000.

Below is the capital asset activity for Greenwood Cemetery for 2006:

**Greenwood Cemetery  
Capital Asset Activity  
For the Year Ended December 31, 2006**

	Balance January 1, 2006	Additions	Deletions	Balance December 31, 2006
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 578,231	\$ -	\$ -	\$ 578,231
Capital assets being depreciated:				
Buildings	206,564	4,857	-	211,421
Site improvements	1,200,506	85,258	-	1,285,764
Equipment	425,204	66,786	(14,388)	477,602
Office equipment	34,080	14,353	-	48,433
Subtotal	1,866,354	171,254	(14,388)	2,023,220
Less accumulated depreciation:				
Buildings	75,058	4,031	-	79,089
Site improvements	440,214	55,503	-	495,717
Equipment	148,634	28,720	(5,763)	171,591
Office equipment	17,591	7,723	-	25,314
Subtotal	681,497	95,977	(5,763)	771,711
Net capital assets being depreciated	1,184,857	75,277	(8,625)	1,251,509
Governmental activities net Capital assets	<u>\$ 1,763,088</u>	<u>\$ 75,277</u>	<u>\$ (8,625)</u>	<u>\$ 1,829,740</u>

The current year capitalized expenditures included land improvement projects (mainly irrigation work) for \$90,115 and equipment purchases totaling \$81,139. The new equipment included a 2006 Kubota excavator.



## **BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS**

The financial transactions of the Cemetery are reported in individual funds in the fund financial statements. The fund financial statements include the Governmental Fund Balance Sheet and the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances. The focus of the fund financial statements is upon the determination of financial position and changes in financial position (sources, uses, and balances of financial resources).

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The emphasis in the fund financial statements is on the major funds. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures of the governmental funds) for the determination of major funds.

### **Governmental Funds**

The following is a description of the major governmental funds of the Cemetery:

**General Fund** – The General Fund is the general operating fund of the Cemetery. It is used to account for all financial resources except those required to be accounted for in another fund.

**Perpetual Care Fund** – The Perpetual Care Fund is used to account for fees and one-time payments previously received for perpetual care. The interest earned is transferred to the General Fund for maintenance of the Cemetery and for land acquisitions. The entire amount of foundation charges are now deposited into the General Fund.

### **Analysis of Budgeted and Actual Amounts**

Final budgeted revenues were modified due to the additional lot sales and interments discussed above. Changes were also made to the contracted services budgeted amounts. The change in contracted services resulted in an employee leaving who usually performs tree trimming and this was contracted out.

### **Analysis of the Revenues, Expenditures, and Changes in Fund Balances**

The General Fund revenues increased by approximately 14% from the prior year revenues. The fund revenues increased for the same reasons as noted above. Additional charges for services of \$36,000 were the primary reason.

The General Fund expenditures increased by approximately 12% from the prior year expenditures. The fund expenditures increased for the same reasons as noted above. Additional capital outlays of \$41,000 were the primary reason.

The General Fund ending fund balance increased by 41%, and the Perpetual Care Fund ending fund balance increased by 11%. Currently a majority of the General Fund ending fund balance is designated by the Cemetery Board for land acquisitions. All of the Perpetual Care Fund ending fund balance is reserved for the trust corpus.

### **Financial Contact**

This financial report is designed to provide readers with a general overview of the Cemetery's finances. Please contact the Greenwood Cemetery Superintendent if there are additional questions or information needed.

**GREENWOOD CEMETERY**  
**Governmental Fund Balance Sheet/Statement of Net Assets**  
**December 31, 2006**

	Modified Accrual Basis			Statement of
	General	Perpetual Care	Adjustments	Net Assets
<u>Assets</u>				
Cash	\$ 52,448	\$ 101,978	\$ -	\$ 154,426
Investments	60,336	445,503	-	505,839
Accounts receivable	18,800	100	-	18,900
Taxes receivable	492,885	-	-	492,885
Due from other funds	40,677	-	(40,677)	-
Capital assets, net of accumulated depreciation	-	-	1,829,740	1,829,740
Total assets	665,146	547,581	1,789,063	3,001,790
<u>Liabilities</u>				
Due to other funds	-	40,677	(40,677)	-
Deferred property taxes	517,153	-	-	517,153
Deferred charges	40,781	-	-	40,781
Total liabilities	557,934	40,677	(40,677)	557,934
<u>Fund Balance/Net Assets</u>				
Fund balances:				
Reserved for trust corpus	-	506,904	(506,904)	-
Unreserved:				
Designated for land acquisitions	73,742	-	(73,742)	-
Undesignated	33,470	-	(33,470)	-
Total fund balances	\$ 107,212	\$ 506,904		
Net assets:				
Invested in capital assets			1,829,740	1,829,740
Restricted for perpetual care			506,904	506,904
Unrestricted			107,212	107,212
Total net assets			\$ 1,829,740	\$ 2,443,856

**GREENWOOD CEMETERY**  
**Statement of Governmental Fund Revenues, Expenditures, and**  
**Changes in Fund Balances/Statement of Activities**  
**For the Year Ended December 31, 2006**

	Modified Accrual Basis General	Perpetual Care	Adjustments	Statement of Activities
<b>Expenditures/expenses:</b>				
Operating:				
Wages	\$ 196,240	\$ -	\$ -	\$ 196,240
Payroll taxes	16,924	-	-	16,924
Employee benefits	48,981	-	-	48,981
Operating supplies	39,423	-	-	39,423
Contracted services	27,777	-	-	27,777
Utilities	19,775	-	-	19,775
Maintenance and repairs	19,434	-	-	19,434
Vehicle expense	6,852	-	-	6,852
Equipment rental	2,101	-	-	2,101
Insurance	27,112	-	-	27,112
Land improvement projects	91,681	-	(90,115)	1,566
Equipment purchases	82,160	-	(63,889)	18,271
Miscellaneous	1,231	-	-	1,231
Total operating expenditures/ expenses	579,691	-	(154,004)	425,687
Non-operating:				
Investment expense	-	2,639	-	2,639
Loss (gain) on investments	-	(2,610)	-	(2,610)
Depreciation expense	-	-	95,977	95,977
Loss (gain) on disposal of long-lived assets	-	-	(8,625)	(8,625)
Interest expense	20,776	-	(20,776)	-
Total non-operating expenditures/ expenses	20,776	29	66,576	87,381
Total expenditures/expenses	600,467	29	(87,428)	513,068
<b>Program revenues:</b>				
Charges for services	123,863	770	-	124,633
Net (expense) revenue				(388,435)
<b>General revenues:</b>				
Property taxes	478,223	-	-	478,223
Interest	12,585	40,706	(20,776)	32,515
Gate valve easement	20,000	-	-	20,000
Miscellaneous	7,630	-	-	7,630
Total general revenues	518,438	40,706	(20,776)	538,368
<b>Other financing sources (uses):</b>				
Operating transfers in	40,677	50,924	(91,601)	-
Operating transfers out	(50,924)	(40,677)	91,601	-
Total other financing sources (uses)	(10,247)	10,247	-	-
Excess (deficiency) of revenues over expenditures/change in net assets	31,587	51,694	66,652	149,933
Fund balances/net assets - beginning of year	75,625	455,210	1,763,088	2,293,923
Fund balances/net assets - end of year	\$ 107,212	\$ 506,904	\$ 1,829,740	\$ 2,443,856

**GREENWOOD CEMETERY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2006**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Greenwood Cemetery (the Cemetery) was incorporated February 17, 1897, under the provisions of Act 306 of the Local Acts of Michigan. The Cemetery operates under a board-superintendent form of government and provides for a joint board from the townships of Resort, Bear Creek and the City of Petoskey in Emmet County.

The Cemetery's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The Cemetery's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The following is a summary of the significant policies used by Greenwood Cemetery:

**REPORTING ENTITY**

The accompanying financial statements have been prepared in accordance with criteria established by Governmental Accounting Standards Board Statement (GASBS) No. 14 and amended by GASBS No. 39. As defined by GASBS No. 14, the Cemetery is required to consider other organizations (component units) for which the nature and significance of their relationship with the Cemetery is such that exclusion would cause the Cemetery's financial statements to be misleading or incomplete. Component units are legally separate entities that are included in the Cemetery's financial statements because of the significance of their operating or financial relationships with the Cemetery.

GASBS No. 14 states the primary basis for determining whether outside agencies and organizations should be considered component units of the Cemetery and included in the Cemetery's financial statements is financial accountability. Financial accountability is defined as follows: A primary government (the Cemetery) has substantive authority to appoint a voting majority of the component unit's board; the primary government is either able to impose its will on a component unit or there is a potential for the component unit to provide specific financial burdens on the primary government; and the component unit is fiscally dependent on the primary government. The Cemetery has no component units.

**BASIC FINANCIAL STATEMENTS – OVERVIEW**

Greenwood Cemetery's basic financial statements include both government-wide (reporting the Cemetery as a whole) and fund financial statements (reporting the Cemetery's major funds). Both the government-wide and the fund financial statements categorize government activities as governmental. Governmental activities are normally supported by taxes and intergovernmental revenues.

**BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS**

The government-wide financial statements report information on all of the nonfiduciary activities of the Cemetery. As a general rule the effect of interfund activity, such as interfund loans, has been eliminated from these statements. The government-wide focus is more on operational efficiency, the sustainability of the Cemetery as an entity, and the change in the Cemetery's net assets resulting from the current year's activities.

## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS – CONTINUED

In the government-wide Statement of Net Assets, the governmental activities are presented on a consolidated basis. Due to the full accrual, economic resource basis, all long-term assets and receivables, as well as long-term debt and obligations are recognized. The Cemetery's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Cemetery first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of the Cemetery are offset by program revenues. This statement reduces gross expenses (including depreciation) by related program revenues, which include charges for services, operating grants and capital grants.

The program revenues must be directly associated with providing cemetery type services. Program revenues include:

- (1) Charges to customers who purchase, use, or directly benefit from goods or services provided by the Cemetery; and
- (2) Grants and contributions that are restricted to meeting the operational or capital requirements of the Cemetery. Taxes and other items not properly included among program revenues are reported as general revenue.

#### BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the Cemetery are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. The focus of the fund financial statements is upon the determination of financial position and changes in financial position (sources, uses, and balances of financial resources).

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The emphasis in the fund financial statements is on the major funds. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures of the governmental funds) for the determination of major funds.

#### Governmental Funds

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## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the full accrual basis of accounting, which incorporates long-term assets and receivables as well as long-term debt and obligations. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded in the accounting period in which they are earned, as long as they are both available and measurable. Revenues are available when received within the current period or within 60 days after year-end. Expenditures are recorded in the accounting period in which the liability is incurred, as under full accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

#### ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

##### Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand and demand deposits.

##### Interfund Receivables/Payables

Outstanding balances between funds are reported as "due to/from" other funds on the balance sheet of the fund financial statements.

##### Capital Assets

Capital assets, which include property, buildings, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the government-wide financial statements. Capital assets are recorded by the Cemetery when the initial individual costs are equal to or greater than \$3,000 and have useful lives greater than a year. Any addition or improvement that either enhances a capital asset's efficiency or extends its expected useful life is also capitalized.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, site improvements and equipment are depreciated using the straight-line method over the following useful lives:

Buildings/Improvements	50 years
Site Improvements	20 years
Equipment	15 years
Office Equipment	5 years

## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY – CONTINUED

##### Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Currently the Cemetery has no long-term obligations.

##### Compensated Absences (Vacation and Sick Time)

Vacation days not used during the year may be accumulated. Each employee may carry over up to 40 hours to the next year. Sick time not used during the year may not be accumulated.

All vacation and sick pay accrue when earned in the government-wide financial statements. Sick and vacation pay are recognized in the governmental financial statements when the time is used.

##### Fund Equity

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

#### COMPARATIVE DATA

Comparative data for the prior year is not included in the Cemetery's financial statements.

### NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all operating funds of the Cemetery. Budgetary control is legally maintained at the fund level.

The Cemetery follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the first board meeting in November, the superintendent submits to the board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted at the Cemetery to obtain taxpayer comments.
3. Prior to January 1, the fund budgets are legally enacted through passage of resolutions.
4. The superintendent is authorized to transfer budgeted amounts between expenditures within any fund, however, any revisions that alter the total expenditures of any fund must be approved by the board.

## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. Budgeted amounts are as originally adopted, or as amended by the board.
7. Encumbrances, which are commitments related to unperformed contracts for goods or services, lapse at year-end and are re-appropriated as part of the subsequent year's budget.

#### Excess of Expenditures Over Appropriations In Budgeted Funds

The Cemetery is required under Public Act 621 to adopt a budget for the General Fund. The Cemetery did not have an excess of expenditures over appropriations for the General Fund.

### NOTE 3: CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Cemetery to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations, which have an office in Michigan. The Cemetery is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Cemetery's deposits and investment policy are in accordance with statutory authority.

#### Cash Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the cemetery's deposits may not be returned to it. At year-end, the carrying amount of the Cemetery's deposits for governmental activities was \$214,762 and the bank balance was \$232,079. Of the bank balance, \$100,000 was covered by Federal depository insurance. The remaining \$132,079 was uninsured and uncollateralized. State statutes prohibit security in the form of collateral, surety bonds or another form be taken for the deposit of public funds.

#### Investments

The cemetery is authorized to make direct investments in U.S. government obligations, certificates of deposits, investment pools (as allowed by the Michigan Public Act 121 of 1985), and mutual funds.



# NOTES TO FINANCIAL STATEMENTS – CONTINUED

## NOTE 3: CASH AND INVESTMENTS – CONTINUED

### Investments – CONTINUED

Investments are stated at fair value and are summarized as follows as of December 31, 2006:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
U.S. governmental and agency securities	\$ 445,830	\$ 445,503	\$ (327)

## NOTE 4: PROPERTY TAXES

### Current Revenue

Property taxes attach as an enforceable lien on property as of December 1, and are collected principally in January through March of the following year. The Cemetery receives its property taxes through Resort Township, Bear Creek Township and the City of Petoskey. The Cemetery is permitted to levy taxes as deemed necessary for general governmental services.

The 2005 State taxable valuation as of April 10, 2005 was \$1,033,372,369, on which taxes levied consisted of .47 mills for general governmental services.

### Deferred Revenue and Taxes Receivable

Property taxes attaching as an enforceable lien on property as of December 1, 2006, and collected principally in December 2006 through March 2007 have been recorded as deferred revenue since they are not budgeted to fund expenditures until 2007. A receivable has been recorded for the portion of these taxes uncollected at December 31, 2006. The 2006 State taxable valuation was \$1,100,325,637, on which taxes levied consisted of .47 mills for general governmental services.

## NOTE 5: DEFERRED REVENUE

Deferred revenue in the government-wide and the fund financial statements consists of \$40,780 and \$517,153 relating to charges for services and property taxes, respectively, received or receivable by year-end but not yet earned. The majority of the charges for services pertain to prepaid interments.

## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### NOTE 6: INTERFUND RECEIVABLES AND PAYABLES

The interfund balances within the Cemetery are as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 40,677	\$ -
Perpetual Care Fund	-	40,677
	<u>\$ 40,677</u>	<u>\$ 40,677</u>

The interfund balance is interest earned in the Perpetual Care Fund that is transferred to the General Fund for maintenance of the Cemetery and for land acquisitions.

### NOTE 7: INTERFUND TRANSFERS

Operating transfers within the Cemetery are as follows:

	Transfer In	Transfers Out
General Fund	\$ 40,677	\$ 50,924
Perpetual Care Fund	50,924	40,677
	<u>\$ 91,601</u>	<u>\$ 91,601</u>

In September 2004, the Perpetual Care Fund transferred \$350,000 to the General Fund for the purchase of a parcel of land. These funds originated from the Perpetual Care Fund corpus. The General Fund will repay the \$350,000 back to the Perpetual Care Fund over a 6-year period. In addition, the General Fund will pay the Perpetual Care Fund interest at an annual rate based on the Federal Reserve interest rate, adjusted quarterly. In 2006, this rate averaged 7.75%. The outstanding balance on this loan was \$236,615 as of December 31, 2006. Current year principal payments related to this loan totaled \$50,924.

The remaining operating transfer between the two funds, \$40,677, is the result of a yearly transfer of earnings from the Perpetual Care Fund to the General Fund.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

**NOTE 8: CAPITAL ASSETS**

Capital asset activity for the Cemetery during the current year was as follows:

	Balance January 1, 2006	Additions	Deletions	Balance December 31, 2006
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 578,231	\$ -	\$ -	\$ 578,231
Capital assets being depreciated:				
Buildings	206,564	4,857	-	211,421
Site improvements	1,200,506	85,258	-	1,285,764
Equipment	425,204	66,786	(14,388)	477,602
Office equipment	34,080	14,353	-	48,433
Subtotal	<u>1,866,354</u>	<u>171,254</u>	<u>(14,388)</u>	<u>2,023,220</u>
Less accumulated depreciation:				
Buildings	75,058	4,031	-	79,089
Site improvements	440,214	55,503	-	495,717
Equipment	148,634	28,720	(5,763)	171,591
Office equipment	17,591	7,723	-	25,314
Subtotal	<u>681,497</u>	<u>95,977</u>	<u>(5,763)</u>	<u>771,711</u>
Net capital assets being depreciated	<u>1,184,857</u>	<u>75,277</u>	<u>(8,625)</u>	<u>1,251,509</u>
Governmental activities net capital assets	<u>\$ 1,763,088</u>	<u>\$ 75,277</u>	<u>\$ (8,625)</u>	<u>\$ 1,829,740</u>

**NOTE 9: DEFERRED COMPENSATION PLAN**

The Cemetery offers its employees a deferred compensation plan created in accordance with Internal Revenue Code 457. The plan, available to all full-time Cemetery employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

**NOTE 9: DEFERRED COMPENSATION PLAN – CONTINUED**

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights were (until paid or made available to the employee or other beneficiary) solely the property and rights of the Cemetery (without being restricted to the provisions of benefits under the plan), subject only to the claims of the Cemetery's general creditors. Participants' rights under the plan were equal to those of general creditors of the Cemetery in an amount equal to the fair market value of the deferred account for each participant.

In complying with the amended Section 457 requirements, these assets are now for the exclusive benefit of participants and not subject to the claims of the Cemetery's general creditors. As such, they are no longer included in an agency fund of the Cemetery.

The Cemetery makes contributions to this deferred compensation plan based on 5% of gross salary for the year. The total deferred compensation plan contribution for 2006 was \$9,791.

**NOTE 10: RESERVED/DESIGNATED FUND BALANCES/RESTRICTED NET ASSETS**

**Major Governmental Funds**

The General Fund has \$73,742 designated for land acquisitions.

The Perpetual Care Fund has a corpus of \$506,904 reserved/restricted. Income from the corpus is to be used for the care and maintenance of lots sold and the acquisition of available land. All income was distributed for that purpose at December 31, 2006.

**NOTE 11: RISK MANAGEMENT**

The Cemetery is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Cemetery belongs to the Michigan Municipal League Liability and Property Pool, a public entity risk pool currently operating as a common risk management and insurance program for various municipalities throughout the state. The Cemetery pays an annual premium for its general insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of \$500,000 for each insured event.

The Cemetery also belongs to the Michigan Municipal Worker's Compensation and Liabilities Fund, a public entity risk pool currently operating as a common risk management and worker's compensation insurance program for various municipalities throughout the state. The Cemetery pays an annual premium for its worker's compensation insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of \$500,000 for each insured event.

Settled claims from these risks have not exceeded insurance coverage in any of the past three fiscal years.

## REQUIRED SUPPLEMENTAL INFORMATION

**GREENWOOD CEMETERY**  
**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended December 31, 2006**

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
<b>Revenues:</b>				
Interments	\$ 32,000	\$ 32,500	\$ 33,726	\$ 1,226
Foundations	6,000	4,400	4,492	92
Lot sales	41,500	68,000	85,645	17,645
Property taxes	470,000	438,000	478,223	40,223
Interest	6,000	12,500	12,585	85
Miscellaneous	3,000	27,500	27,630	130
Total revenues	558,500	582,900	642,301	59,401
<b>Expenditures:</b>				
Wages	196,300	196,300	196,240	(60)
Payroll taxes	18,000	17,000	16,924	(76)
Employee benefits	47,000	49,000	48,981	(19)
Operating supplies	37,000	39,500	39,423	(77)
Contracted services	15,000	27,800	27,777	(23)
Utilities	20,000	20,000	19,775	(225)
Maintenance and repairs	24,000	27,000	19,434	(7,566)
Vehicle expense	8,000	7,000	6,852	(148)
Equipment rental	4,000	2,200	2,101	(99)
Insurance	22,000	27,200	27,112	(88)
Land improvement projects	50,200	85,500	91,681	6,181
Equipment purchases	54,000	108,900	82,160	(26,740)
Interest expense	19,800	20,700	20,776	76
Miscellaneous	6,200	1,300	1,231	(69)
Total expenditures	521,500	629,400	600,467	(28,933)
Excess (deficiency) of revenues over expenditures	37,000	(46,500)	41,834	88,334
<b>Other financing sources (uses):</b>				
Operating transfers in	17,000	20,000	40,677	20,677
Operating transfers out	(51,000)	(51,000)	(50,924)	76
Sale of equipment	-	7,500	-	(7,500)
Total other financing sources (uses)	(34,000)	(23,500)	(10,247)	13,253
<b>Net change in fund balance</b>	3,000	(70,000)	31,587	101,587
<b>Fund balance - beginning of year</b>	75,625	75,625	75,625	-
<b>Fund balance - end of year</b>	\$ 78,625	\$ 5,625	\$ 107,212	\$ 101,587